

Financial Statements

**Van Buren Community
Mental Health Authority**

Paw Paw, Michigan

September 30, 2005



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|--------------------------------|---|----------------------------|
| Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Government Name Van Buren Community Mental Health Authority | County Van Buren |
| Audit Date 9/30/05 | Opinion Date 12/2/05 | Date Accountant Report Submitted to State: 3/28/06 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

MAR 29 2006

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

LOCAL AUDIT & FINANCE DIV.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|---|--|---------------------|------------------------|
| Certified Public Accountant (Firm Name) Roslund, Prestage & Company, P.C. | | | |
| Street Address 308 Gratiot Avenue | | City Alma | State MI |
| Accountant Signature | | ZIP 48801 | Date 3/28/06 |

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September 30, 2005

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INDEPENDENT AUDITOR'S REPORT

Van Buren Community Mental Health Authority
Paw Paw, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Van Buren Community Mental Health Authority (the Authority), as of and for the year ended September 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2005 on our consideration of the Authority's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages I-IV, and budgetary comparison information on page 24 – 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplemental financial information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Roslund, Prestage & Co, PC

Roslund, Prestage & Company, P.C.
Certified Public Accountants

December 2, 2005

MANAGEMENT'S DISCUSSION and ANALYSIS

**Van Buren Community Mental Health Authority
Management's Discussion and Analysis
For the Fiscal Year ended September 30, 2005**

The management of Van Buren Community Mental Health Authority (**VBCMHA**) presents the following discussion and analysis of financial activities during the fiscal year ended September 30, 2005. This discussion and analysis is provided to introduce the basic financial statements of the past year and to provide the reader information to help assess whether the financial position has improved or deteriorated as a result of the year's operations. Please read this section in conjunction with the auditor's report and with our financial statements, notes to financial statements and supplemental information taken as a whole.

Under the contractual requirements issued by the Michigan Department of Community Mental Health (**MDCH**), VBCMHA began in FY 2002-2003 receiving sub-capitation Medicaid funding directly from Summit Pointe (a.k.a. Calhoun County Community Mental Health Authority). Summit Pointe is the regional Prepaid Inpatient Health Plan (**PIHP**) responsible for administering mental health and substance abuse services for a five county affiliation consisting of Barry, Berrien, Branch, Calhoun and Van Buren Counties. The affiliation, known as Venture Behavioral Health, operates under an agreement pursuant to the Intergovernmental Transfer of Functions and Responsibilities Act.

BASIC FINANCIAL STATEMENTS

Basic financial statements, in accordance with generally accepted accounting principles (GAAP) according to GASB 34, require the presentation of two types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

Government-wide financial statements are designed to present the organization's finances in a layout similar to that of a private sector business. They consist of a Statement of Net Assets (providing historical balance sheet information) which shows the difference between assets and liabilities; and a Statement of Activities (providing historical income statement information) which shows revenues and expenses and the change in net assets from the previous year. Information presented in these statements is on the accrual basis of accounting. Long-term assets are capitalized and depreciated. Long-term debt is recorded as a liability. Revenues are recorded when "earned" and expenses are recorded when "incurred", without regard to the timing of cash receipts or disbursements.

Fund financial statements offer a series of statements that focus on the major governmental funds. These statements contain individual groups of related accounts and are used to report current assets, current liabilities, fund balance, revenues and expenditures for specific activities or funds segregated for legal requirements or other governmental objectives. The governmental fund financial statements are reported on the modified accrual basis of accounting. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized only to the extent that they are normally expected to be paid with current financial resources. For VBCMHA, the major funds consist of the General Fund and the New Outlook Fund (which are categorized as Governmental Funds). Reconciliations are also offered between the Fund Financial Statements and the Government – wide Financial Statements.

NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements, which immediately follow the financial statements, provide additional and more detailed information that is essential to a full understanding of the data provided in the financial statements. Items concerning significant accounting policies, stewardship, compliance and accountability, as well as, detailed notes on all assets and liabilities are provided in this section.

KEY FINANCIAL INDICATORS (VBCMHA Governmental Activities)

| | <u>FY 04</u> | <u>FY 05</u> | Dun & Bradstreet Industry Benchmarks <u>Median</u> |
|---------------------------------------|--------------|--------------|--|
| <u>Financial Stability</u> | | | |
| Current Assets to Current Liabilities | 4.0 | 2.9 | 2.3 |
| Total Liabilities to Net Assets | .45 | .65 | .6 |
| Fixed Assets to Net Assets | .11 | .11 | .65 |
| Cash Available for Net Assets | 1.02 | 1.21 | N/A |

Current financial ratios are compared with financial indicators for the last fiscal year and industry statistics (median) benchmarks as provided by Dun & Bradstreet for the specialty outpatient clinic industry.

STATEMENT OF NET ASSETS
(STATEMENT OF CHANGES IN FUND BALANCES)

| | Balance <u>10/01/04</u> | Increase (Decrease) | Balance <u>09/30/05</u> |
|------------------------|----------------------------|------------------------|----------------------------|
| Assets | | | |
| Current Assets | 3,012,986 | 15,882 | 3,028,868 |
| Noncurrent Assets | 592,381 | (14,227) | 578,154 |
| Liabilities | | | |
| Current Liabilities | 755,820 | 301,279 | 1,057,099 |
| Noncurrent Liabilities | 367,090 | (30) | 367,060 |
| Net Assets | 2,482,457 | (299,594) | 2,182,863 |

STATEMENT OF ACTIVITIES
(REVENUES AND EXPENDITURES)

Revenues: FY 05 audited revenues for governmental funds (in accordance with GAAP, and the requirements of GASB 34) are \$13,366,875. This amount does not include \$106,385 of MDCH funds "GF Carry-forward" that is recorded as deferred revenue for FY 06. The GF Carry-forward is included in the MDCH final report of revenues for a total of \$13,473,262. This compares to the FY 04 MDCH reportable revenues of \$13,354,144, for an increase of revenues of \$119,118 (a less than 1% increase).

Expenditures: FY 05 audited expenditures for governmental funds (in accordance with GAAP, and the requirements of GASB 34) are \$13,666,469. This total includes expenses of \$490,680 which are covered by prior year's Medicaid Savings; and GASB 34 depreciation expense of \$76,840. These amounts are excluded from the MDCH final report of expenditures for a total of \$13,098,950. This compares to FY 04 reportable expenditures of \$13,129,752, for a slight reduction of expenditures of \$30,802 (a 0.2% decrease).

Capital Outlay Expenditures: FY 05 expenditures for Capital Outlay included computer hardware and software (\$118,182) to be used agency-wide and a Fork-lift (\$8,900) to be used at the MTI Services Program at the Bangor site.

BUDGET VARIATIONS (Original to Final)

Revenue and expense budgets were increased by \$117,386 from the original to the final versions. The most significant increase to budgeted revenues was to the "Client and Third Party" revenue line item. The most significant increases to budgeted expenses were to the "Vehicle Maintenance" and the "Travel" line items. Additionally, Medicaid savings expenses in the amount of \$490,680 were budgeted, to be offset by the prior year's Medicaid savings fund balance.

CURRENTLY KNOW FACTS, DECISIONS, CONDITIONS

The State of Michigan's funding for community mental health services continues to be at the forefront of discussion. The State has implemented a 6% quality assurance assessment fee on Medicaid capitation payments made to all the regional PHIP's. Fortunately, Van Buren Community Mental Health, as a part of Venture Behavioral Health, and as a result of the recent Medicaid re-basing, will nonetheless benefit with increased Medicaid revenues for FY 06. Also, underway at the State level, is a movement to establish a "funding equity plan" among community mental health agencies for non-Medicaid payments (State General Funds). As Van Buren Community Mental Health currently ranks near the bottom (on a per capita basis in comparison to other CMHSP's across the State) in State General Fund mental health appropriations, we are hopeful that we might benefit from this so called "smoothing" of general fund revenues. While increased Medicaid funding obligations continue to be a concern at both the State and Federal level, the immediate (FY 06) funding projections for Van Buren Community Mental Health appear to be adequate.

**BASIC FINANCIAL STATEMENTS -
GOVERNMENT WIDE FINANCIAL STATEMENTS**

Van Buren Community Mental Health Authority
Statement of Net Assets
September 30, 2005 and 2004

| | Governmental Activities | |
|---|-------------------------|-------------|
| | 2005 | 2004 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$2,640,877 | \$2,532,777 |
| Accounts receivable, net | 69,371 | 58,674 |
| Due from other governmental units | 126,112 | 245,861 |
| Prepaid items | 192,508 | 175,674 |
| Total current assets | 3,028,868 | 3,012,986 |
| Noncurrent assets | | |
| Cash and cash equivalents - restricted | 333,877 | 330,160 |
| Capital assets - depreciable, net | 244,277 | 262,221 |
| Total noncurrent assets | 578,154 | 592,381 |
| Total assets | 3,607,022 | 3,605,367 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 561,305 | 530,607 |
| Accrued wages and other payroll liabilities | 118,193 | 89,896 |
| Due to other governmental units | 270,163 | 135,317 |
| Deferred revenue | 107,438 | - |
| Total current liabilities | 1,057,099 | 755,820 |
| Noncurrent liabilities | | |
| Compensated absences | 367,060 | 367,090 |
| Total liabilities | 1,424,159 | 1,122,910 |
| Net Assets | | |
| Invested in capital assets, net of related debt | 244,277 | 262,221 |
| Reserved for grant | 309,595 | 293,249 |
| Reserved for Medicaid savings | - | 490,680 |
| Unrestricted | 1,628,991 | 1,436,307 |
| Total net assets | \$2,182,863 | \$2,482,457 |

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Statement of Activities
For the year ended September 30, 2005, With Comparative Data

| Functions | Program Revenues | | | Net (Expense) Revenue and Changes Net Assets | 2004 |
|--|---------------------|-------------------------|--|---|--------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | | |
| Governmental activities | | | | | |
| Health & Welfare - Mental Health | <u>\$13,666,469</u> | <u>\$10,214,089</u> | <u>\$3,103,621</u> | (\$348,759) | \$93,499 |
| General revenues | | | | | |
| Unrestricted investment earnings | | | | 49,165 | 22,238 |
| Restricted investment earnings | | | | - | 942 |
| Total general revenues and contributions | | | | <u>49,165</u> | <u>23,180</u> |
| Change in net assets | | | | (299,594) | 116,679 |
| Net assets - beginning of year | | | | 2,482,457 | 2,495,762 |
| Prior period adjustment | | | | - | (129,984) |
| Net assets - end of year | | | | <u>\$2,182,863</u> | <u>\$2,482,457</u> |

See Accompanying Notes To Financial Statements

FUND FINANCIAL STATEMENTS

Van Buren Community Mental Health Authority
Balance Sheet
Governmental Funds
September 30, 2005, With Comparative Data

| | MAJOR FUNDS | | | |
|---|--------------------|---------------------|--------------------------------|--------------------|
| | General Fund | New Outlook Fund | Total Governmental Funds | 2004 |
| Assets | | | | |
| Cash and cash equivalents | \$2,332,256 | \$308,621 | \$2,640,877 | \$2,403,800 |
| Accounts receivable, net | 51,606 | 17,765 | 69,371 | 58,674 |
| Due from other governmental units | 126,112 | - | 126,112 | 245,861 |
| Due from other funds | - | - | - | 128,977 |
| Prepaid items | 192,369 | 139 | 192,508 | 175,674 |
| Cash and investments - restricted | 333,877 | - | 333,877 | 330,160 |
| Total Assets | <u>\$3,036,220</u> | <u>\$326,525</u> | <u>\$3,362,745</u> | <u>\$3,343,146</u> |
| Liabilities | | | | |
| Accounts payable | \$550,429 | \$10,876 | \$561,305 | \$530,607 |
| Accrued wages and other payroll liabilities | 112,139 | 6,054 | 118,193 | 89,896 |
| Due to other governmental units | 270,163 | - | 270,163 | 135,317 |
| Deferred revenue | 107,438 | - | 107,438 | - |
| Total liabilities | <u>1,040,169</u> | <u>16,930</u> | <u>1,057,099</u> | <u>755,820</u> |
| Fund balances | | | | |
| Restricted for grant | - | 309,595 | 309,595 | 293,249 |
| Reserved for prepaid items | 192,369 | - | 192,369 | 175,674 |
| Reserved for Medicaid savings | - | - | - | 490,680 |
| Reserved for compensated absences | 340,975 | - | 340,975 | 341,003 |
| Unreserved | 1,462,707 | - | 1,462,707 | 1,286,720 |
| Total fund balances | <u>1,996,051</u> | <u>309,595</u> | <u>2,305,646</u> | <u>2,587,326</u> |
| Total liabilities and fund balances | <u>\$3,036,220</u> | <u>\$326,525</u> | <u>\$3,362,745</u> | <u>\$3,343,146</u> |

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
To Net Assets of Governmental Activities on the Statement of Net Assets
For the year ended September 30, 2005

| | |
|--|--------------------|
| Total fund balance - governmental funds | \$2,305,646 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| Add: capital assets | 1,339,172 |
| Deduct: accumulated depreciation | (1,094,895) |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of: | |
| Deduct: compensated absences | <u>(367,060)</u> |
| Net assets of governmental activities | <u>\$2,182,863</u> |

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the years ended September 30, 2005, With Comparative Data

| | MAJOR FUNDS | | Total Governmental Funds | 2004 |
|---|--------------------|---------------------|--------------------------------|-------------------|
| | General Fund | New Outlook Fund | | |
| REVENUES | | | | |
| State grants | | | | |
| Department of Community Health Contract | | | | |
| General Fund Formula and Categorical | \$2,050,574 | - | \$2,050,574 | \$2,033,028 |
| Adult Benefit Waiver | 257,505 | - | 257,505 | 346,279 |
| Title XX | 13,017 | - | 13,017 | 13,017 |
| Total state grants | <u>2,321,096</u> | <u>-</u> | <u>2,321,096</u> | <u>2,392,324</u> |
| Federal grants | <u>306,026</u> | <u>-</u> | <u>306,026</u> | <u>302,009</u> |
| Contributions - local units | | | | |
| County appropriations | <u>300,000</u> | <u>-</u> | <u>300,000</u> | <u>300,000</u> |
| Charges for services | | | | |
| Medicaid - Venture contract | 9,145,575 | \$402,900 | 9,548,475 | 9,501,857 |
| Medicaid - other | 99,683 | - | 99,683 | 111,127 |
| Client and third party pay | 312,620 | - | 312,620 | 228,036 |
| Other earned revenue | 142,045 | 111,266 | 253,311 | 316,554 |
| Total charges for services | <u>9,699,923</u> | <u>514,166</u> | <u>10,214,089</u> | <u>10,157,574</u> |
| Interest and rents | | | | |
| Interest | <u>43,184</u> | <u>5,981</u> | <u>49,165</u> | <u>22,238</u> |
| Other revenue | | | | |
| MTI income | 134,256 | - | 134,256 | 135,809 |
| United Way | 34,750 | - | 34,750 | 33,750 |
| Miscellaneous | 7,493 | - | 7,493 | 9,498 |
| Total other revenue | <u>176,499</u> | <u>-</u> | <u>176,499</u> | <u>179,057</u> |
| Total revenues | 12,846,728 | 520,147 | 13,366,875 | 13,353,202 |

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the years ended September 30, 2005 With Comparative Data

| | MAJOR FUNDS | | Total Governmental Funds | 2004 |
|--|--------------------|---------------------|--------------------------------|--------------------|
| | General Fund | New Outlook Fund | | |
| EXPENDITURES | | | | |
| Health & Welfare - Mental Health | | | | |
| Personnel costs | \$6,896,643 | \$353,035 | \$7,249,678 | \$6,841,018 |
| Operating expenditures | 6,187,521 | 84,274 | 6,271,795 | 6,264,857 |
| Capital outlay | 127,082 | - | 127,082 | 152,842 |
| Total expenditures | 13,211,246 | 437,309 | 13,648,555 | 13,258,717 |
| Excess of revenues over expenditures | (364,518) | 82,838 | (281,680) | 94,485 |
| Other financing sources (uses) | | | | |
| Operating transfers in (out) | 66,492 | (66,492) | - | 942 |
| Excess of revenues and other sources Over expenditures and other uses | (298,026) | 16,346 | (281,680) | 95,427 |
| Fund balance, October 1 | 2,294,077 | 293,249 | 2,587,326 | 2,493,848 |
| Prior period adjustment | - | - | - | (1,949) |
| Fund balance, September 30 | <u>\$1,996,051</u> | <u>\$309,595</u> | <u>\$2,305,646</u> | <u>\$2,587,326</u> |

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the year ended September 30, 2005

Net change in fund balances - total governmental funds (281,680)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives as depreciation expense.

| | |
|------------------------------|-----------|
| Add: capital outlay | 127,082 |
| Deduct: depreciation expense | (145,026) |

Sale of capital asset proceeds are recognized as revenues in the governmental funds,
but only the gain is recognized as revenues in the statement of activities.

Some expenses reported in the statement of activities do not require the
use of current financial resources and therefore are not reported as
expenditures in the funds.

| | |
|---|-----------|
| Add: decrease in accrual for compensated absences | <u>30</u> |
|---|-----------|

| | |
|---|-------------------------|
| Change in net assets of governmental activities | <u><u>(299,594)</u></u> |
|---|-------------------------|

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Statement of Net Assets
Proprietary Funds
September 30, 2005 and 2004

| | <u>Internal Service Funds</u> | |
|---------------------------|-------------------------------|------------------|
| | <u>2005</u> | <u>2004</u> |
| Assets | | |
| Cash and cash equivalents | <u>-</u> | <u>\$128,977</u> |
| Total Assets | <u>-</u> | <u>128,977</u> |
| Liabilities | | |
| Due to other funds | <u>-</u> | <u>128,977</u> |
| Net Assets | | |
| Restricted | <u><u>-</u></u> | <u><u>-</u></u> |

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the years ended September 30, 2005 and 2004

| | <u>Internal Service Funds</u> | |
|--|-------------------------------|------------------|
| | <u>2005</u> | <u>2004</u> |
| Non-operating revenues | | |
| Interest income | - | \$942 |
| Operating transfers | | |
| Operating transfers in (out) - other funds | <u>-</u> | <u>(942)</u> |
| Change in net assets | - | - |
| Net assets, beginning of year | - | 128,035 |
| Prior period adjustment | <u>-</u> | <u>(128,035)</u> |
| Net assets, end of year | <u><u>-</u></u> | <u><u>-</u></u> |

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Statement of Cash Flows
Proprietary Funds
For the years ended September 30, 2005 and 2004

| | <u>Internal Service Funds</u> | |
|--|-------------------------------|------------------|
| | <u>2005</u> | <u>2004</u> |
| Cash flows from operating activities | | |
| Internal activity - payments to other funds | (\$128,977) | - |
| Cash flows from noncapital financial activities | | |
| Operating transfers in | - | \$7,271 |
| Cash flows from investing activities | | |
| Proceeds from interest earnings | - | 942 |
| Net increase (decrease) in cash | (128,977) | 8,213 |
| Cash and cash equivalents, beginning of year | 128,977 | 120,764 |
| Cash and cash equivalents, end of year | <u>-</u> | <u>\$128,977</u> |
| Reconciliation of operating income to net cash provided by (used for) operating activities: | | |
| Operating income (loss) | - | - |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | |
| Change in assets and liabilities | | |
| Due to other fund | (\$128,977) | - |
| Net cash provided by operating activities | <u>(\$128,977)</u> | <u>-</u> |

See Accompanying Notes To Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

Van Buren Community Mental Health Authority
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Van Buren Community Mental Health Authority (the Authority) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Authority.

Reporting Entity

The Authority operates as a Community Mental Health Authority under the provisions of Act 258 - Public Acts of 1974, as amended. The Authority provides funding for services in the areas of mental illness, developmental disabilities, and other related mental health needs for residents of Van Buren County.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Authority's reporting entity, and which organizations are legally separate, component units of the Authority. Based on the application of the criteria, the Authority does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues.

Van Buren Community Mental Health Authority
Notes to Financial Statements

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end.

An exception to the "60 day" rule is the recognition of certain patient fee revenues and the related receivables. The Authority has elected to recognize these revenues on the cash basis of accounting, which is in compliance with the Department of Community Health's revenue recognition formula. The difference between the cash basis of accounting and modified accrual basis of accounting for these revenues are not material to the financial statements.

Van Buren Community Mental Health Authority
Notes to Financial Statements

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include:

- Employees' vested annual leave is recorded as expenditures when utilized. The amount of accumulated annual leave unpaid at September 30, has been reported only in the government-wide financial statements.
- Interest on general long-term obligations is recognized when paid.
- Debt service expenditures and claims and judgments are recorded only when payment is due.

Proprietary Fund Financial Statements – The financial statements of the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the internal service fund are charges to other funds for insurance services. Operating expenses for internal service funds include the cost of claims, administration and reinsurance. Any revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Van Buren Community Mental Health Authority
Notes to Financial Statements

The Authority reports the following major governmental and proprietary funds:

Governmental Funds

General Fund - This fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in other funds.

New Outlook Fund - This fund accounts for the financial activities of the child and family collaborative funding arrangement providing wraparound services to the residents of Van Buren County.

Proprietary Funds

Internal Service Fund - This fund represents amounts set aside to fund the net uninsured exposure of potential shortfalls of contract revenues.

Comparative Data

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in financial position and operations. Also, certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

Budgetary Data

Budgets are adopted by the Authority for all governmental funds. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is also adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Van Buren Community Mental Health Authority
Notes to Financial Statements

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Authority's deposits are in accordance with statutory authority.

Cash - Restricted

Cash has been restricted for future payment of the compensated absences liability. These restricted assets are held in a separate cash account with local financial institutions.

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from the Michigan Department of Community Health and the State of Michigan.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Van Buren Community Mental Health Authority
Notes to Financial Statements

Inventories

The Authority does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The Authority does not have infrastructure type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements and proprietary fund financial statements.

Capital assets of the Authority are depreciated using the straight line method over the following estimated useful lives:

| Assets | Years |
|--------------------|--------|
| Computer Equipment | 5 |
| Office Equipment | 5 – 10 |
| Automobiles | 7 – 10 |

Van Buren Community Mental Health Authority
Notes to Financial Statements

Compensated Absences

Authority policy allows full time employees to accumulate paid time off at various rates, depending on the employee's length of service with the Authority. The governmental fund financial statements record expenditures when employees are paid for leave. The government-wide financial statements present expenditures and the related liability when these compensated absences are earned.

Governmental Fund – Fund Balance Reserves and Designations

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use. The reserves for related assets such as prepaid items are examples of the former. Reserves for Medicaid Savings are examples of the latter.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Inpatient / Residential Cost Liability

The amount recorded for inpatient/residential liability is based on management's estimate. This estimate is based on 1) the number of clients at each facility, 2) the number of days each client is at each facility, and 3) the daily rate charged for each facility.

The Authority does not receive actual billings for these services until several months after the service date. Therefore, the liability is not liquidated within the normal 60 day period after year end. Also, the actual cost may vary from the estimated due to reimbursements from third party payors that are applied to the total cost before the billings are sent to the Authority.

Van Buren Community Mental Health Authority
Notes to Financial Statements

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted at the function level and on a basis consistent with generally accepted accounting principles for the general fund and new outlook fund. All annual appropriations lapse at fiscal year end. The Authority does not maintain a formalized encumbrance accounting system. The budgeted revenues and expenditures, as presented in this report, include any authorized amendments to the original budget as adopted.

Excess of Expenditures over Appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended September 30, 2005, the Authority incurred expenditures in excess of the amounts appropriated as shown on pages 25 – 26 of this report as unfavorable variances.

NOTE 3 - DETAIL NOTES

Cash and Cash Equivalents

At September 30th, the carrying amount of the Authority's cash and cash equivalents are as follows:

| | 2005 | 2004 |
|---------------|--------------------|--------------------|
| Petty Cash | \$4,200 | \$4,000 |
| Cash deposits | 2,970,554 | 2,858,937 |
| | | |
| Totals | \$2,974,754 | \$2,862,937 |

At year-end, the carrying amount of the Authority's cash deposits was \$2,970,554, and the bank balance was \$3,193,216. GASB Statement #40 – risk disclosures regarding cash deposits for the Authority is not available since one of the Bank accounts is in the name of Van Buren County.

Van Buren Community Mental Health Authority
Notes to Financial Statements

Due from Other Governmental Units

Due from other governmental units as of September 30, consists of the following:

| | 2005 | 2004 |
|--|------------------|------------------|
| Calhoun County CMH Authority | \$25,764 | \$109,174 |
| Federal Grants Receivable | 14,391 | 15,164 |
| State of Michigan – Medicaid – Children Waiver | 23,913 | 51,665 |
| Other Governmental Units | 62,044 | 69,858 |
| | | |
| Totals | \$126,112 | \$245,861 |

Capital Assets

A summary of changes in the Authority's capital assets is as follows:

| Governmental Activities | Beginning Balance | Additions | Disposals | Ending Balance |
|--------------------------------|--------------------------|-------------------|------------------|-----------------------|
| Computer Equipment | \$303,233 | \$118,182 | - | \$421,415 |
| Office Equipment | 320,602 | - | - | 320,602 |
| Vehicles | 602,397 | 8,900 | (\$14,142) | 597,155 |
| | | | | |
| Sub-totals | 1,226,232 | 127,082 | (14,142) | 1,339,172 |
| Accumulated Depreciation | (964,011) | (145,026) | 14,142 | (1,094,895) |
| | | | | |
| Net Capital Assets | \$262,221 | (\$17,944) | \$- | \$244,277 |

The proprietary fund did not have any fixed assets as of September 30, 2005.

Depreciation expense was charged to the Health & Welfare – Mental Health Program.

Van Buren Community Mental Health Authority
Notes to Financial Statements

Due to Other Governmental Units

Due to other governmental units as of September 30, consist of the following:

| | 2005 | 2004 |
|--------------------------------|------------------|------------------|
| Department of Community Health | \$140,963 | \$117,784 |
| Calhoun County CMH Authority | 129,200 | 17,533 |
| | | |
| Totals | \$270,163 | \$135,317 |

Accrued Wages and Other Payroll Liabilities

This liability represents amounts paid to employees during October that was earned during September. Also included are employer payroll taxes.

Long-Term Debt – Compensated Absences

Authority policy allows full time employees to accumulate paid time off at various rates, depending on the employee's length of service with the Authority. Amounts accumulated up to a maximum accrual are to be paid to the employee and recognized as an expense either when compensated absences are used, upon termination of employment, or in accordance with a certain "payment in lieu of using discretionary hours" policy of the Authority.

The Authority also has a contract with the Executive Director that includes a severance pay base plus additional amounts based on length of employment with the Authority.

As of September 30, 2005 and 2004, compensated absences liability was \$367,060, and \$367,090, respectively.

Operating Leases

The Authority has entered into various operating leases for the use of real and personal property. Operating leases do not give rise to property rights or lease obligations, and therefore, the lease agreements are not reflected in these financial statements.

Van Buren Community Mental Health Authority
Notes to Financial Statements

The following is a schedule of future minimum rental payments required under the operating leases that have initial or remaining noncancelable lease terms as of September 30, 2005:

| YEAR ENDING SEPTEMBER 30, | AMOUNT |
|------------------------------|-----------|
| 2006 | \$139,622 |
| 2007 | 138,794 |
| 2008 | 140,933 |
| 2009 | 144,900 |
| 2010 | - |

Retirement System

Plan Description

The employees of the Authority are eligible to participate in the Van Buren County Retirement Plans, which include a 457 Deferred Compensation Plan and a 401(a) Employee Thrift Plan. These plans are available to all employees hired to perform at least 900 hours of service per year.

Funding Policy

Employee deferrals to the 457 plan are allowed in accordance with Internal Revenue Code limitations. The Authority will match employee contributions up to a maximum of 6% of wages for union employees and 7% for non-union employees. Employer contributions will be made to the 401(a) plan.

Employee contributions are fully vested at all times. Employer contribution's for each employee becomes fully vested after 4 years of employment with the Authority.

For the September 30, 2005 fiscal year, employer contributions to the plan totaled \$264,161 and employee contributions totaled \$338,098. The total payroll for the year ending September 30, 2005 was \$5,366,042.

Van Buren Community Mental Health Authority
Notes to Financial Statements

Alternative Social Security Plan

Plan Description

Effective January 1, 2000, certain employees of the Authority participate in a tax qualified retirement plan in lieu of the Social Security Retirement System. Employees of the Authority who work at least 30 hours per week are eligible to participate in the plan. If eligible, the employee must elect to participate in the plan.

Funding Policy

Employee contributions to this plan are at the rate of 6.2% of gross wages, with an equal amount contributed by the employer. The employee / employer contribution rates are the same as if participating in the Social Security Retirement System. Under this plan, all contributions are immediately vested with the employee. Employees who do not participate in this plan are required to participate in the Social Security Retirement System.

Risk Management - Michigan Municipal Risk Management Authority

The Authority participated in the public entity risk pool – Michigan Municipal Risk Management Authority (MMRMA) for general liability coverage.

MMRMA, a separate legal entity, is a self-insured association organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to various Michigan governmental entities.

As a member of this pool, the Authority is responsible for paying all costs, including damages, indemnification, and allocated loss adjustment for each occurrence that falls within the member's self-insured retention (SIR). The Authority's SIR is between \$0- and \$250. After the Authority's SIR and deductibles have been satisfied, MMRMA will be responsible for paying all remaining costs, including damages, indemnification, and allocated loss adjustment expenses to the limits of coverage stated below.

MMRMA coverage limits are between \$2,000 and \$15,000,000 for liability, and between \$10,000 and \$100,000,000 for property and crime.

The contribution made by the Authority to the MMRMA was \$100,274 for the period July 1, 2004 to July 1, 2005.

Settled claims, if any, for the MMRMA have not exceeded the amount of coverage in any of the past three years and there was no reduction in coverage during the past year.

Van Buren Community Mental Health Authority
Notes to Financial Statements

Commitments and Contingencies

As of September 30, 2005, the Authority had the following contingencies which are not recognized in these financial statements:

- Michigan Department of Community Health (MDCH) compliance audit for the 2002 fiscal year – preliminary report indicates \$137,133 is due from the Authority to the MDCH. The Authority, however, contests some of the issues noted in the report and feel that a final amount of liability is uncertain. The Authority is still in the negotiation stage with the MDCH regarding this compliance audit.

Prior Period Adjustments

The prior period adjustments shown in these financial statements are adjustments to beginning balances for assets and liabilities, and were identified during the subsequent fiscal year.

Compliance Audits

All governmental grants are subject to a transactional and compliance audit by the grantors or their representatives. Therefore, an indeterminable contingency exists for expenditures, which may be disallowed by the granting agencies.

REQUIRED SUPPLEMENTAL INFORMATION

Van Buren Community Mental Health Authority
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
General Fund
For the year ended September 30, 2005

| | <u>Budgeted Amounts</u> | | | <u>Variance Between Actual and Final Budget</u> |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues | | | | |
| State grants | | | | |
| Department of Community Health Contract | | | | |
| General Fund Formula and Categorical | \$2,033,028 | \$2,147,946 | \$2,050,574 | (\$97,372) |
| Adult Benefit Waiver | 367,088 | 270,517 | 257,505 | (13,012) |
| Title XX | 13,017 | 13,017 | 13,017 | - |
| Total state grants | <u>2,413,133</u> | <u>2,431,480</u> | <u>2,321,096</u> | <u>(110,384)</u> |
| Federal grants | <u>297,602</u> | <u>316,988</u> | <u>306,026</u> | <u>(10,962)</u> |
| Contributions - local units | | | | |
| County appropriations | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> | <u>-</u> |
| Charges for services | | | | |
| Medicaid - Venture contract | 9,011,201 | 9,011,201 | 9,145,575 | 134,374 |
| Medicaid - other | 115,000 | 115,000 | 99,683 | (15,317) |
| Client and third party pay | 215,000 | 283,280 | 312,620 | 29,340 |
| Other earned revenue | 140,594 | 138,298 | 142,045 | 3,747 |
| Total charges for services | <u>9,481,795</u> | <u>9,547,779</u> | <u>9,699,923</u> | <u>152,144</u> |
| Interest and rents | | | | |
| Interest | <u>8,190</u> | <u>21,859</u> | <u>43,184</u> | <u>21,325</u> |
| Other revenue | | | | |
| MTI income | 115,000 | 115,000 | 134,256 | 19,256 |
| United Way | 36,000 | 36,000 | 34,750 | (1,250) |
| Miscellaneous | 7,600 | 7,600 | 7,493 | (107) |
| Total other revenue | <u>158,600</u> | <u>158,600</u> | <u>176,499</u> | <u>17,899</u> |
| Total revenues | 12,659,320 | 12,776,706 | 12,846,728 | 70,022 |

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
General Fund
For the year ended September 30, 2005

| | <u>Budgeted Amounts</u> | | | <u>Variance Between Actual and Final Budget</u> |
|--|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Expenditures | | | | |
| Health & Welfare - Mental Health | | | | |
| Personnel costs | \$7,042,143 | \$7,035,943 | \$6,896,643 | \$139,300 |
| Operating expenditures | 6,107,857 | 6,231,443 | 6,187,521 | 43,922 |
| Capital outlay | - | - | 127,082 | (127,082) |
| Total expenditures | <u>13,150,000</u> | <u>13,267,386</u> | <u>13,211,246</u> | <u>56,140</u> |
| Revenues over (under) expenditures | (490,680) | (490,680) | (364,518) | 126,162 |
| Other financing sources (uses) | | | | |
| Operating transfers in (out) | <u>-</u> | <u>-</u> | <u>66,492</u> | <u>66,492</u> |
| Excess of revenues and other sources over expenditures and other uses | (490,680) | (490,680) | (298,026) | 192,654 |
| Fund balance, beginning of year | <u>2,294,077</u> | <u>2,294,077</u> | <u>2,294,077</u> | <u>-</u> |
| Fund balance, end of year | <u>\$1,803,397</u> | <u>\$1,803,397</u> | <u>\$1,996,051</u> | <u>\$192,654</u> |

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
New Outlook Fund
For the year ended September 30, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Between Actual and Final Budget</u> |
|--|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Charges for services | | | | |
| Medicaid - Venture contract | \$408,000 | \$408,000 | \$402,900 | (\$5,100) |
| Other earned revenue | 112,200 | 112,200 | 111,266 | (934) |
| Total charges for services | <u>520,200</u> | <u>520,200</u> | <u>514,166</u> | <u>(6,034)</u> |
| Interest and rents | | | | |
| Interest | <u>1,800</u> | <u>1,800</u> | <u>5,981</u> | <u>4,181</u> |
| Total revenues | <u>522,000</u> | <u>522,000</u> | <u>520,147</u> | <u>(1,853)</u> |
| Expenditures | | | | |
| Health & Welfare - Mental Health | | | | |
| Personnel costs | 368,109 | 368,109 | 353,035 | 15,074 |
| Operating expenditures | <u>153,891</u> | <u>153,891</u> | <u>84,274</u> | <u>69,617</u> |
| Total expenditures | <u>522,000</u> | <u>522,000</u> | <u>437,309</u> | <u>84,691</u> |
| Revenues over (under) expenditures | - | - | 82,838 | 82,838 |
| Other financing sources (uses) | | | | |
| Operating transfers in (out) | <u>-</u> | <u>-</u> | <u>(66,492)</u> | <u>(66,492)</u> |
| Excess of revenues and other sources over expenditures and other uses | - | - | 16,346 | 16,346 |
| Fund balance, beginning of year | <u>293,249</u> | <u>293,249</u> | <u>293,249</u> | <u>-</u> |
| Fund balance, end of year | <u>\$293,249</u> | <u>\$293,249</u> | <u>\$309,595</u> | <u>\$16,346</u> |

See Accompanying Notes To Financial Statements

OTHER SUPPLEMENTAL INFORMATION

Van Buren Community Mental Health Authority
Supporting Schedule of Personnel Costs
For the year ended September 30, 2005 and 2004

Governmental Fund Types

| | <u>General Fund</u> | |
|---------------------------|-------------------------------|-------------------------------|
| | <u>2005</u> | <u>2004</u> |
| Personnel Costs | | |
| Salaries and wages | \$5,108,941 | \$4,932,270 |
| Fringe benefits | <u>1,787,702</u> | <u>1,579,897</u> |
| Total Personnel Costs | <u><u>\$6,896,643</u></u> | <u><u>\$6,512,167</u></u> |

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Supporting Schedule of Operating Expenditures
For the year ended September 30, 2005 and 2004

Governmental Fund Types

| | <u>General Fund</u> | |
|----------------------------------|-------------------------------|-------------------------------|
| | <u>2005</u> | <u>2004</u> |
| Operating Expenditures | | |
| Communications | \$103,888 | \$109,760 |
| Contractual services | 4,647,076 | 4,637,314 |
| Insurance | 96,455 | 88,737 |
| Local funds contribution | 218,294 | 218,294 |
| Other | 36,478 | 51,899 |
| Rents and utilities | 421,952 | 445,975 |
| Repairs and maintenance | 114,469 | 97,895 |
| Supplies | 211,245 | 228,482 |
| Transportation | 147,164 | 138,337 |
| Travel and conferences | 190,500 | 171,399 |
| | <u>190,500</u> | <u>171,399</u> |
| Total Operating Expenditures | <u><u>\$6,187,521</u></u> | <u><u>\$6,188,092</u></u> |

See Accompanying Notes To Financial Statements



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Van Buren Community Mental Health Authority
Paw Paw, Michigan

We have audited the financial statements of the governmental activities and each major fund of Van Buren Community Mental Health Authority (the Authority) as of and for the year ended September 30, 2005, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

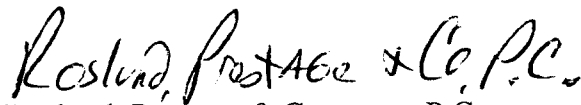
In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the Authority in a separate letter dated December 2, 2005.

This report is intended solely for the information and use of the audit committee, management, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.



Roslund, Prestage & Company, P.C.
Certified Public Accountants

December 2, 2005



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MAR 29 2006

MANAGEMENT LETTER LOCAL AUDIT & FINANCE DIV.

Board of Directors
Van Buren Community Mental Health Authority
Paw Paw, Michigan

In planning and performing our audit of the financial statements for Van Buren Community Mental Health Authority for the fiscal year ended September 30, 2005, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This letter does not affect our audit report dated December 2, 2005 on the financial statements of Van Buren Community Mental Health Authority.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Roslund, Prestage & Company, P.C.
Certified Public Accountants

December 2, 2005

GASB Statement No. 45

Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was approved by the GASB in June of 2005. Other postemployment benefits are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they stop working. They include all postemployment healthcare benefits and any other type of benefits that are provided separately from a pension plan.

The basic premise of GASB 45 is that other postemployment benefits are earned and should be recognized when the employee provides services, just like wages and compensated absences.

We recommend the Authority consider the effects of GASB 45 on any current or future postemployment benefits packages.

The effective date for the Authority to implement this new standard is for the fiscal year ending September 30, 2009. However, earlier application is encouraged by the GASB.